

11 June 2015

Mr Sebastien Henry  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Mr Henry,

**Subject: ERC0166 Consultation on Draft Determination – National Electricity Amendment (Bidding in good faith) Rule 2015**

Arrow Energy Pty Ltd (Arrow) welcomes the opportunity to provide comments to the Australian Energy Market Commission (AEMC) on the Draft Determination for Bidding in good faith.

#### Background

Arrow is owned by Royal Dutch Shell and PetroChina. In 2011, Arrow took full ownership and operation of Braemar 2 Power Station (Braemar 2), from ERM Power Limited. Braemar 2 is a 450MW open cycle gas turbine (OCGT) near Dalby, Queensland.

#### Arrow's position on the Draft Determination

Arrow supports the objective of the Commission in ensuring market operations and pricing are reflective of underlying supply and demand conditions. However, Arrow believes the proposed rule changes do not respond to the larger underlying issues, which are:

- the size and composition of particular generation portfolios within the National Electricity Market (NEM)
- the ability of those portfolios to significantly impact market outcomes during particular market conditions.

The Draft Determination proposals may well reduce instances of late rebidding and the associated unpredictable pricing in the short term. However, more fundamental drivers would continue to exist within the market and would be likely to cause similar issues again in the future, if not tackled in a fully considered manner.

In the absence of the full details on the obligations, Arrow does not support changes to the reporting requirement as laid out in section 3.8.22(c)(2a) of the Draft National Electricity Amendment (Bidding in good faith) rule. The reasons can be summarised as follows:

- Arrow believes that the Australian Energy Regulator (AER) already has sufficient power to collect all the information it requires "on request".

- Peaking plant is likely to be disproportionately burdened by reporting requirements that are triggered by rebids close to the time of dispatch; the fundamental nature of peaking plant is to be reactive to short term changes in market conditions; therefore a large proportion of peaking plant rebids are made within the 'late rebidding period'. Peaking plant acts to stabilise market conditions in times of high market volatility; any rule changes that discourages reactive behaviour risks reducing market efficiency.
- Using additional reporting as a disincentive to market participants to react to live market conditions would undermine the fundamental structure of the NEM. If implemented, it could adversely impact participants who seek to address 'unexpected' market outcomes.
- Arrow takes its obligations under the existing good faith provisions very seriously. Additional reporting requirements would penalise many for the actions of a few.
- It is difficult to support a change whose impact will be determined by an unknown set of *guidelines*.

Arrow notes that feedback from stakeholders who would be directly affected by the proposed additional reporting requirements (i.e. generators) has overwhelmingly opposed such a change.

If you require further clarification on Arrow's submission, please contact Walter Schutte, General Manager Energy Markets (Acting) on phone (07) 3012 4000 or email [walter.schutte@arrowenergy.com.au](mailto:walter.schutte@arrowenergy.com.au)

Yours sincerely



Walter Schutte  
General Manager Energy Markets (Acting)